

WAYNE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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Wayne Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2005 Election)		
Douglas Downs	President	2007
Darrell Clark	Vice President	2005
Susan Henderson	Board Member	2006
Kirk Mourer	Board Member (Resigned)	2006
Dave Foster	Board Member (Appointed)	2005
Melissa Niday	Board Member	2005
Board of Education		
(After September 2005 Election)		
Douglas Downs	President	2007
Melissa Niday	Vice President	2008
Susan Henderson	Board Member	2006
Dave Foster	Board Member	2006
Bill Homann	Board Member	2008
School Officials		
Robert Busch	Superintendent	2006
Denise Larson	District Secretary/Treasurer and Business Manager	2006
Sue Seitz	Attorney	2006
Alan Wilson	Attorney	2006

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Wayne Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wayne Community School District, Corydon, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wayne Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2006 on our consideration of the Wayne Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Wayne Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed an unqualified opinion on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

September 29, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wayne Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,162,697 in fiscal 2005 to \$5,221,134 in fiscal 2006, while General Fund expenditures increased from \$4,832,607 in fiscal 2005 to \$5,128,663 in fiscal 2006. This resulted in an increase in the District's General Fund balance from \$913,256 in fiscal 2005 to a balance of \$976,647 in fiscal 2006, a 6.9% increase from the prior year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Wayne Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Wayne Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Wayne Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Wayne Community School District Annual Financial Report

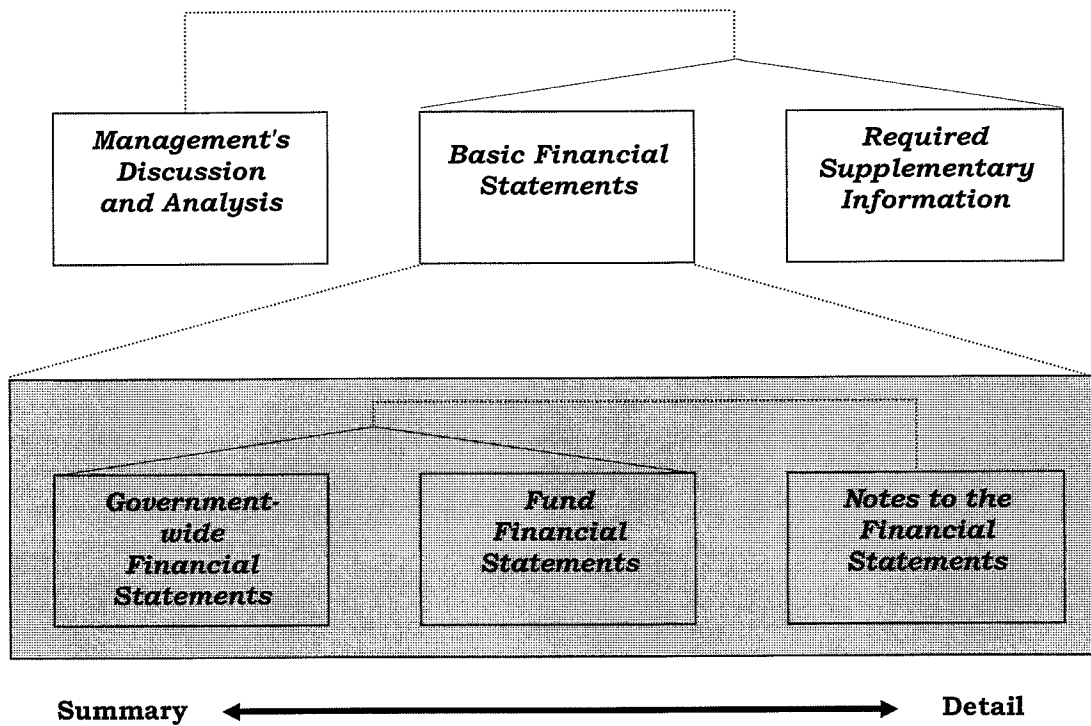


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 5,864,469	5,697,274	33,822	13,048	5,898,291	5,710,322	3.29%
Capital assets	3,638,433	3,365,435	36,534	38,790	3,674,967	3,404,225	7.95%
Total assets	9,502,902	9,062,709	70,356	51,838	9,573,258	9,114,547	5.03%
Long-term liabilities	1,517,365	1,729,795	0	0	1,517,365	1,729,795	-12.28%
Other liabilities	4,166,158	4,016,430	19,157	22,774	4,185,315	4,039,204	3.62%
Total liabilities	5,683,523	5,746,225	19,157	22,774	5,702,680	5,768,999	-1.15%
Net assets:							
Invested in capital assets, net of related debt	2,187,628	1,717,451	36,534	38,790	2,224,162	1,756,241	26.64%
Restricted	560,645	598,733	0	0	560,645	598,733	-6.36%
Unrestricted	1,071,106	1,000,300	14,665	(9,726)	1,085,771	990,574	9.61%
Total net assets	\$ 3,819,379	3,316,484	51,199	29,064	3,870,578	3,345,548	15.69%

The District's combined net assets increased by 15.69%, or \$525,030, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$38,088, or 6.36% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$95,197, or 9.61%. This increase in unrestricted net assets was a result of the District increase in the General Fund.

Figure A-4 shows the changes in net assets for the years ended June 30, 2006 and 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 310,043	383,114	106,247	99,991	416,290	483,105	-13.83%
Operating grants and contributions and restricted interest	866,576	806,883	159,189	164,037	1,025,765	970,920	5.65%
General revenues:							
Property tax	2,274,188	2,298,663	0	0	2,274,188	2,298,663	-1.06%
Local option sales and services tax	284,465	280,501	0	0	284,465	280,501	1.41%
Unrestricted state grants	2,165,397	2,136,593	0	0	2,165,397	2,136,593	1.35%
Other	118,163	136,597	227	248	118,390	136,845	-13.49%
Total revenues	6,018,832	6,042,351	265,663	264,276	6,284,495	6,306,627	-0.35%
Program expenses:							
Governmental activities:							
Instructional	3,593,244	3,480,223	0	0	3,593,244	3,480,223	3.25%
Support services	1,567,018	1,462,537	0	0	1,567,018	1,462,537	7.14%
Non-instructional programs	0	0	278,441	277,969	278,441	277,969	0.17%
Other expenses	320,762	328,207	0	0	320,762	328,207	-2.27%
Total expenses	5,481,024	5,270,967	278,441	277,969	5,759,465	5,548,936	3.79%
Excess(deficiency) of revenues over(under) expenditures	537,808	771,384	(12,778)	(13,693)	525,030	757,691	-30.71%
Other financing sources(uses)							
Transfer in	0	0	34,913	0	34,913	0	100.00%
Transfer out	(34,913)	0	0	0	(34,913)	0	-100.00%
Total other financing sources(uses)	(34,913)	0	34,913	0	0	0	0.00%
Change in net assets	502,895	771,384	22,135	(13,693)	525,030	757,691	-30.71%
Beginning net assets	3,316,484	2,545,100	29,064	42,757	3,345,548	2,587,857	29.28%
Ending net assets	\$ 3,819,379	3,316,484	51,199	29,064	3,870,578	3,345,548	15.69%

In fiscal 2006, property tax and unrestricted state grants account for 73.76% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.92% of the revenue from business type activities.

The District's total revenues were approximately \$6.3 million of which \$6.0 million was for governmental activities and less than \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced less than a 1% decrease in revenues and a 3.79% increase in expenses. Unrestricted state grants increased \$28,804 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$6,018,832 and expenses were \$5,481,024.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,593,244	2,594,130
Support services	1,567,018	1,567,018
Other expenses	320,762	143,257
Totals	<u>\$ 5,481,024</u>	<u>4,304,405</u>

- The cost financed by users of the District's programs was \$310,043.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$866,576.
- The net cost of governmental activities was financed with \$2,274,188 in property tax, \$284,465 in local option sales and services tax, \$2,165,397 in unrestricted state grants, and \$110,544 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$265,663 and expenses were \$278,441. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Wayne Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,607,413, above last year's ending fund balances of a \$1,590,271. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to controlled spending in the General Fund and increased local option sales and services tax revenues.

Governmental Fund Highlights

- The District's improving General Fund financial position from \$913,256 to \$976,647 is the product of many factors:
 - Reduction in federal grant revenues was offset by increases in local source, tuition and other revenues during the year.

-
- The increase in negotiated salary and benefits settlement was offset with staff reductions and controlled in the general expenditures leading to an overall reduction in expenditures for the year.
 - The Capital Projects Fund balance decreased from \$332,305 in fiscal 2005 to \$288,178 in fiscal 2006. This is the third year the District received local option sales and services tax. Revenues exceeded expenditures for the year, but when the transfer of funds was made to pay debt in the Debt Service Fund, this guaranteed the fund's decrease.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$29,064 at June 30, 2004 to \$51,199 at June 30, 2006, representing an increase of 76.16%. This was mostly attributable to transfers made from the General Fund and Capital Projects Fund during fiscal 2006.

BUDGETARY HIGHLIGHTS

The District's revenues were \$121,733 more than budgeted revenues, a variance of 1.98%. The most significant variance resulted from the District receiving more in local source revenues than originally anticipated.

Total expenditures were more than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should normally exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and other expenditures functions due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$3,674,967, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 7.37% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$290,656.

The original cost of the District's capital assets was \$10.8 million. Governmental funds account for \$10.6 million with the remainder of \$0.2 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2005, compared to \$17,058 reported at June 30, 2006. The increase was caused by architect costs accumulated as of June 30, 2006 for window replacement projects on the District's buildings.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 22,500	22,500	0	0	22,500	22,500	0.00%
Construction in progress	17,058	0	0	0	17,058	0	100.00%
Buildings	3,173,745	2,998,507	0	0	3,173,745	2,998,507	5.52%
Land improvements	37,698	42,057	0	0	37,698	42,057	-11.56%
Machinery and equipment	387,432	302,371	36,534	38,790	423,966	341,161	19.53%
Total	\$ 3,638,433	3,365,435	36,534	38,790	3,674,967	3,404,225	7.37%

Long-Term Debt

At June 30, 2006, the District had \$1,517,365 in general obligation and other long-term debt outstanding. This represents a decrease of 12.3% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General obligation bonds payable of \$1,495,000 at June 30, 2006.

The District had total outstanding Loan payable from the Special Revenue – Physical Plant and Equipment Levy Fund of \$17,550 at June 30, 2006.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$4,815 at June 30, 2006.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
General obligation bonds	\$ 1,495,000	1,690,000	-11.5%
Loan	17,550	25,350	-30.8%
Early retirement	4,815	14,445	-66.7%
Totals	\$ 1,517,365	1,729,795	-12.3%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced declining enrollment for several years. Even though the District's enrollment increased in fiscal year 2007, the District projections show continued enrollment decreases in the future.
- The budget guarantee (whereby District's are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2004.

-
- The voters of Wayne County passed by 86% the Local Option Sales and Service Tax (SILO) for school infrastructure. This one cent tax on sales and services will greatly benefit the District in maintaining their buildings and purchasing equipment. The funding began in September 2004.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Denise Larson, District Secretary/Treasurer and Business Manager, Wayne Community School District, 102 North DeKalb, Corydon, Iowa, 50060.

BASIC FINANCIAL STATEMENTS

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 1,396,550	0	1,396,550
Other	1,980,321	28,741	2,009,062
Receivables:			
Property tax:			
Delinquent	64,599	0	64,599
Succeeding year	2,132,809	0	2,132,809
Income surtax	94,853	0	94,853
Accounts	3,025	0	3,025
Accrued ISCAP interest(Note 4)	14,594	0	14,594
Due from other governments	177,718	1,280	178,998
Inventories	0	3,801	3,801
Capital assets, net of accumulated depreciation(Note 5)	3,638,433	36,534	3,674,967
TOTAL ASSETS	9,502,902	70,356	9,573,258
LIABILITIES			
Accounts payable	123,256	1,486	124,742
Salaries and benefits payable	488,721	17,247	505,968
Interest payable	3,955	0	3,955
ISCAP warrants payable(Note 4)	1,395,000	0	1,395,000
ISCAP interest payable(Note 4)	12,777	0	12,777
ISCAP unamortized premiums	9,640	0	9,640
Deferred revenue:			
Succeeding year property tax	2,132,809	0	2,132,809
Other	0	424	424
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	200,000	0	200,000
Loan payable	7,800	0	7,800
Early retirement payable	4,815	0	4,815
Portion due after one year:			
General obligation bonds payable	1,295,000	0	1,295,000
Loan payable	9,750	0	9,750
TOTAL LIABILITIES	5,683,523	19,157	5,702,680
NET ASSETS			
Investment in capital assets, net of related debt	2,187,628	36,534	2,224,162
Restricted for:			
Phase III	394	0	394
Management levy	175,686	0	175,686
Other special revenue purposes	61,771	0	61,771
Physical plant and equipment levy	34,616	0	34,616
Capital projects	288,178	0	288,178
Unrestricted	1,071,106	14,665	1,085,771
TOTAL NET ASSETS	\$ 3,819,379	51,199	3,870,578

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern-mental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,094,555	271,614	510,602	(1,312,339)	0	(1,312,339)
Special instruction	722,350	38,429	33,084	(650,837)	0	(650,837)
Other instruction	776,339	0	145,385	(630,954)	0	(630,954)
	<u>3,593,244</u>	<u>310,043</u>	<u>689,071</u>	<u>(2,594,130)</u>	<u>0</u>	<u>(2,594,130)</u>
Support services:						
Student services	114,978	0	0	(114,978)	0	(114,978)
Instructional staff services	113,569	0	0	(113,569)	0	(113,569)
Administration services	583,341	0	0	(583,341)	0	(583,341)
Operation and maintenance of plant services	486,849	0	0	(486,849)	0	(486,849)
Transportation services	268,281	0	0	(268,281)	0	(268,281)
	<u>1,567,018</u>	<u>0</u>	<u>0</u>	<u>(1,567,018)</u>	<u>0</u>	<u>(1,567,018)</u>
Other expenditures:						
Facilities acquisitions	1,246	0	0	(1,246)	0	(1,246)
Long-term debt interest	51,437	0	0	(51,437)	0	(51,437)
AEA flowthrough	177,505	0	177,505	0	0	0
Depreciation(unallocated)*	90,574	0	0	(90,574)	0	(90,574)
	<u>320,762</u>	<u>0</u>	<u>177,505</u>	<u>(143,257)</u>	<u>0</u>	<u>(143,257)</u>
Total governmental activities	5,481,024	310,043	866,576	(4,304,405)	0	(4,304,405)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	278,441	106,247	159,189	0	(13,005)	(13,005)
Total business-type activities	<u>278,441</u>	<u>106,247</u>	<u>159,189</u>	<u>0</u>	<u>(13,005)</u>	<u>(13,005)</u>
Total	<u>\$ 5,759,465</u>	<u>416,290</u>	<u>1,025,765</u>	<u>(4,304,405)</u>	<u>(13,005)</u>	<u>(4,317,410)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 2,037,752	0	2,037,752
Capital outlay				40,080	0	40,080
Debt service				196,356	0	196,356
Local option sales and services tax				284,465	0	284,465
Unrestricted state grants				2,165,397	0	2,165,397
Unrestricted investment earnings				110,544	227	110,771
Other				7,619	0	7,619
Total general revenues				<u>4,842,213</u>	<u>227</u>	<u>4,842,440</u>
Changes in net assets before other financing sources(uses)				<u>537,808</u>	<u>(12,778)</u>	<u>525,030</u>
Other financing sources(uses)						
Transfer in				0	34,913	34,913
Transfer out				(34,913)	0	(34,913)
Total other financing sources(uses)				<u>(34,913)</u>	<u>34,913</u>	<u>0</u>
Change in net assets				502,895	22,135	525,030
Net assets beginning of year				<u>3,316,484</u>	<u>29,064</u>	<u>3,345,548</u>
Net assets end of year				<u>\$ 3,819,379</u>	<u>51,199</u>	<u>3,870,578</u>

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WAYNE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 1,396,550	0	1,396,550
Other	1,461,398	518,923	1,980,321
Receivables:			
Property tax			
Delinquent	54,569	10,030	64,599
Succeeding year	1,795,907	336,902	2,132,809
Income surtax	94,853	0	94,853
Accounts	20	3,005	3,025
Accrued ISCAP interest(Note 4)	14,594	0	14,594
Due from other governments	72,032	105,686	177,718
TOTAL ASSETS	\$ 4,889,923	974,546	5,864,469
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 116,378	6,878	123,256
Salaries and benefits payable	488,721	0	488,721
ISCAP warrants payable(Note 4)	1,395,000	0	1,395,000
ISCAP interest payable(Note 4)	12,777	0	12,777
ISCAP unamortized premiums	9,640	0	9,640
Deferred revenue:			
Succeeding year property tax	1,795,907	336,902	2,132,809
Income surtax	94,853	0	94,853
Total liabilities	3,913,276	343,780	4,257,056
Fund balances:			
Reserved for:			
Debt service	0	48,150	48,150
Phase III	394	0	394
Unreserved:			
Undesignated:			
General	976,253	0	976,253
Management levy	0	180,501	180,501
Other special revenue purposes	0	61,771	61,771
Physical plant and equipment levy	0	52,166	52,166
Capital projects	0	288,178	288,178
Total fund balances	976,647	630,766	1,607,413
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,889,923	974,546	5,864,469

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WAYNE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances of governmental funds (page 16)	\$ 1,607,413
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	3,638,433
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	94,853
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(3,955)
Long-term liabilities, including early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,517,365)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 3,819,379</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,937,961	620,692	2,558,653
Tuition	272,337	0	272,337
Other	125,268	177,006	302,274
State sources	2,556,382	0	2,556,382
Federal sources	329,186	0	329,186
Total revenues	5,221,134	797,698	6,018,832
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	2,056,248	9,630	2,065,878
Special instruction	722,350	0	722,350
Other instruction	624,572	151,767	776,339
	3,403,170	161,397	3,564,567
Support services:			
Student services	114,978	0	114,978
Instructional staff services	157,969	0	157,969
Administration services	583,341	0	583,341
Operation and maintenance of plant services	418,320	75,982	494,302
Transportation services	273,380	67,676	341,056
	1,547,988	143,658	1,691,646
Other expenditures:			
Facilities acquisitions	0	279,757	279,757
Long-term debt:			
Principal	0	202,800	202,800
Interest and fiscal charges	0	51,762	51,762
AEA flowthrough	177,505	0	177,505
	177,505	534,319	711,824
Total expenditures	5,128,663	839,374	5,968,037
Excess of revenues over expenditures	92,471	(41,676)	50,795
Other financing sources(uses):			
Sale of equipment	1,260	0	1,260
Transfers in	0	57,800	57,800
Transfers out	(30,340)	(62,373)	(92,713)
Total other financing sources(uses)	(29,080)	(4,573)	(33,653)
Net change in fund balances	63,391	(46,249)	17,142
Fund balance beginning of year	913,256	677,015	1,590,271
Fund balance end of year	\$ 976,647	630,766	1,607,413

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WAYNE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds (page 18) \$ 17,142

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year are as follows:

Expenditures for capital assets	\$ 563,605	
Depreciation expense	(284,085)	
Loss on disposal of capital assets	(6,522)	272,998

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 202,800

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 325

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	9,630
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Changes in net assets of governmental activities (page 15) \$ 502,895

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 28,741
Due from other governments	1,280
Inventories	3,801
Capital assets, net of accumulated depreciation(Note 5)	<u>36,534</u>
TOTAL ASSETS	<u>70,356</u>
LIABILITIES	
Accounts payable	1,486
Salaries and benefits payable	17,247
Deferred revenues:	
Other	<u>424</u>
TOTAL LIABILITIES	<u>19,157</u>
NET ASSETS	
Investment in capital assets	36,534
Unrestricted	<u>14,665</u>
TOTAL NET ASSETS	<u>\$ 51,199</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 106,247
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	92,563
Benefits	35,264
Services	8,678
Supplies	135,262
Depreciation	6,571
Other	103
TOTAL OPERATING EXPENSES	<u>278,441</u>
OPERATING LOSS	<u>(172,194)</u>
NON-OPERATING REVENUES:	
State sources	3,524
Federal sources	155,665
Interest on investments	227
TOTAL NON-OPERATING REVENUES	<u>159,416</u>
Net loss before other financing sources	(12,778)
OTHER FINANCING SOURCES:	
Transfer in	<u>34,913</u>
Change in net assets	22,135
Net assets beginning of year	<u>29,064</u>
Net assets end of year	<u><u>\$ 51,199</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 105,730
Cash received from miscellaneous sources	3,646
Cash payments to employees for services	(131,964)
Cash payments to suppliers for goods or services	(130,965)
Net cash used in operating activities	<u>(153,553)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	30,340
Transfer from Capital Projects	4,573
State grants received	3,524
Federal grants received	143,467
Net cash provided by non-capital financing activities	<u>181,904</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(4,315)</u>
Cash flows from investing activities:	
Interest on investments	<u>227</u>
Net increase in cash and cash equivalents	24,263
Cash and cash equivalents at beginning of year	<u>4,478</u>
Cash and cash equivalents at end of year	<u>\$ 28,741</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (172,194)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	12,198
Depreciation	6,571
Decrease in inventories	360
Decrease in accounts receivable	3,129
Increase in accounts payable	520
Net cash used in operating activities	<u>\$ (153,553)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 28,741</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$12,198.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WAYNE COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The Wayne Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Corydon, Iowa, and the predominate agricultural territory in Wayne and Lucas Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Wayne Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Wayne Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wayne and Lucas Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006 disbursements in the support services and other expenditures functions exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 29,860</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue - Physical Plant and Equipment Levy	\$ 7,800
Debt Service	Capital Projects	50,000
Nutrition	Capital Projects	4,573
Nutrition	General	30,340
		<u>\$ 92,713</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06B	1/26/06	1/26/07	\$ 717,495	14,383	715,000	12,604
2006-07A	6/28/06	6/28/07	679,055	211	680,000	173
Total			<u>\$ 1,396,550</u>	<u>14,594</u>	<u>1,395,000</u>	<u>12,777</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2005-06A \$	0	160,000	160,000	0
2005-06B	0	120,000	120,000	0
Total	\$ 0	280,000	280,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 22,500	0	0	22,500
Construction in progress	0	17,058	0	17,058
Capital assets not being depreciated:	22,500	17,058	0	39,558
Capital assets being depreciated:				
Buildings	7,327,847	261,453	0	7,589,300
Land improvements	261,979	0	0	261,979
Machinery and equipment	2,519,707	285,094	54,939	2,749,862
Total capital assets being depreciated	10,109,533	546,547	54,939	10,601,141
Less accumulated depreciation for:				
Buildings	4,329,340	86,215	0	4,415,555
Land improvements	219,922	4,359	0	224,281
Machinery and equipment	2,217,336	193,511	48,417	2,362,430
Total accumulated depreciation	6,766,598	284,085	48,417	7,002,266
Total capital assets being depreciated, net	3,342,935	262,462	6,522	3,598,875
Governmental activities capital assets, net	\$ 3,365,435	279,520	6,522	3,638,433

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 162,169	4,315	0	166,484
Less accumulated depreciation	123,379	6,571	0	129,950
Business-type activities capital assets, net	<u>\$ 38,790</u>	<u>(2,256)</u>	<u>0</u>	<u>36,534</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 110,334
Support services:		
Instructional staff		67,706
Operation and maintenance of plant		770
Transportation		14,701
		<u>193,511</u>
Unallocated depreciation		<u>90,574</u>
Total governmental activities depreciation expense		<u>\$ 284,085</u>
Business-type activities:		
Food services		<u>\$ 6,571</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,690,000	0	195,000	1,495,000	200,000
Loan payable	25,350	0	7,800	17,550	7,800
Early retirement	14,445	0	9,630	4,815	4,815
Total	<u>\$ 1,729,795</u>	<u>0</u>	<u>212,430</u>	<u>1,517,365</u>	<u>212,615</u>

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Bond issue of May 1, 2003		
		Principal	Interest	Total
2007	2.30 %	\$ 200,000	45,162	245,162
2008	2.65	200,000	40,213	240,213
2009	3.00	205,000	34,487	239,487
2010	3.25	215,000	27,919	242,919
2011	3.50	220,000	20,575	240,575
2012	3.60	225,000	12,675	237,675
2013	3.75	230,000	4,312	234,312
Total		<u>\$ 1,495,000</u>	<u>185,343</u>	<u>1,680,343</u>

Loan Payable

The District entered into a no interest loan agreement with Alliant Energy to replace a boiler. Repayment of this loan will be paid out of the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2006, loan indebtedness is as follows:

Year Ending June 30,	Principal
2007	\$ 7,800
2008	7,800
2009	1,950
Total	<u>\$ 17,550</u>

Early Retirement

The District offers a voluntary early retirement plan to its administrators and certified employees. Eligible employees must be at least age fifty-five and employees must have completed thirty years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will pay the retiree an incentive equal to the retirees previous contract less the base salary times 75%. Early retirement benefits paid during the year ended June 30, 2006, totaled \$9,630. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund the early retirement incentives.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$178,996, \$173,846 and \$176,501 respectively, equal to the required contributions for each year.

(8) Risk Management

Wayne Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$177,505 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

As of June 30, 2006, costs of \$17,058 had been incurred for the window replacement project at the school. When the improvements are completed, the costs associated with the project will be added to the capital assets.

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2006 disbursements in the support services and other expenditures functions exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

WAYNE COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,133,264	106,474	3,239,738	2,923,906	2,923,906	315,832
Intermediate sources	0	0	0	120,000	120,000	(120,000)
State sources	2,556,382	3,524	2,559,906	2,748,856	2,748,856	(188,950)
Federal sources	329,186	155,665	484,851	370,000	370,000	114,851
Total revenues	6,018,832	265,663	6,284,495	6,162,762	6,162,762	121,733
Expenditures:						
Instruction	3,564,567	0	3,564,567	3,920,314	3,920,314	355,747
Support services	1,691,646	0	1,691,646	1,328,663	1,328,663	(362,983)
Non-instructional programs	0	278,441	278,441	373,178	373,178	94,737
Other expenditures	711,824	0	711,824	593,122	593,122	(118,702)
Total expenditures	5,968,037	278,441	6,246,478	6,215,277	6,215,277	(31,201)
Excess(deficiency) of revenues over(under) expenditures	50,795	(12,778)	38,017	(52,515)	(52,515)	90,532
Other financing sources, net	(33,653)	34,913	1,260	7,800	7,800	(6,540)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	17,142	22,135	39,277	(44,715)	(44,715)	90,532
Balance beginning of year	1,590,271	29,064	1,619,335	164,040	164,040	1,455,295
Balance end of year	\$ 1,607,413	51,199	1,658,612	119,325	119,325	1,545,827

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAYNE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, disbursements in the support services and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

WAYNE COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	\$ 177,548	65,606	50,973	294,127	182,492	42,304	518,923
Receivables:							
Property tax							
Current year delinquent	2,991	0	1,193	4,184	0	5,846	10,030
Succeeding year	100,000	0	40,139	140,139	0	196,763	336,902
Accounts		3,005	0	3,005	0	0	3,005
Due from other governments	0	0	0	0	105,686	0	105,686
TOTAL ASSETS	\$ 280,539	68,611	92,305	441,455	288,178	244,913	974,546
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 38	6,840	0	6,878	0	0	6,878
Deferred revenue							
Succeeding year property tax	100,000	0	40,139	140,139	0	196,763	336,902
	100,038	6,840	40,139	147,017	0	196,763	343,780
Fund balances:							
Reserved for Debt Service	0	0	0	0	0	48,150	48,150
Unreserved, undesignated	180,501	61,771	52,166	294,438	288,178	0	582,616
	180,501	61,771	52,166	294,438	288,178	48,150	630,766
TOTAL LIABILITIES AND FUND BALANCES	\$ 280,539	68,611	92,305	441,455	288,178	244,913	974,546

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAYNE COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue Funds						Total
			Physical	Total			Other
	Manage-	Student	Plant and	Special	Capital	Debt	Nonmajor
	ment	Activity	Equipment	Revenue	Projects	Service	Governmental
	Levy		Levy	Funds			Funds
REVENUES:							
Local sources:							
Local tax	\$ 99,791	0	40,080	139,871	284,465	196,356	620,692
Other	13,624	157,278	1,551	172,453	2,293	2,260	177,006
TOTAL REVENUES	113,415	157,278	41,631	312,324	286,758	198,616	797,698
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	9,630	0	0	9,630	0	0	9,630
Other instruction	0	151,767	0	151,767	0	0	151,767
Support services:							
Operation and maintenance of							
plant services	75,982	0	0	75,982	0	0	75,982
Transportation services	0	0	67,676	67,676	0	0	67,676
Other expenditures:							
Facilities acquisitions	0	0	3,445	3,445	276,312	0	279,757
Long-term debt:							
Principal	0	0	0	0	0	202,800	202,800
Interest and fiscal charges	0	0	0	0	0	51,762	51,762
TOTAL EXPENDITURES	85,612	151,767	71,121	308,500	276,312	254,562	839,374
EXCESS(DEFICIENCY) OF REVENUES							
OVER(UNDER) EXPENDITURES	27,803	5,511	(29,490)	3,824	10,446	(55,946)	(41,676)
OTHER FINANCING SOURCES(USES):							
Transfer in	0	0	0	0	0	57,800	57,800
Transfer out	0	0	(7,800)	(7,800)	(54,573)	0	(62,373)
TOTAL OTHER FINANCING SOURCES(USES)	0	0	(7,800)	(7,800)	(54,573)	57,800	(4,573)
EXCESS(DEFICIENCY) OF REVENUES AND							
OTHER FINANCING SOURCES OVER(UNDER)							
EXPENDITURES AND OTHER FINANCING							
USES	27,803	5,511	(37,290)	(3,976)	(44,127)	1,854	(46,249)
FUND BALANCE BEGINNING OF YEAR	152,698	56,260	89,456	298,414	332,305	46,296	677,015
FUND BALANCE END OF YEAR	\$ 180,501	61,771	52,166	294,438	288,178	48,150	630,766

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAYNE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Secondary students fund	\$ 1,600	8,670	6,775	3,495
Activity tickets	2,530	0	2,530	0
FFA milk machine	0	4,095	6,372	(2,277)
Publication/plays fund	1,071	72	145	998
HS music club	(136)	2,163	2,913	(886)
JH music club	(663)	2,347	2,833	(1,149)
Cross country	6	816	761	61
Golf	0	274	274	0
Boys basketball	3,204	10,778	11,443	2,539
Football	529	8,669	9,198	0
Baseball	(3,092)	12,950	9,858	0
Boys track	1,179	1,018	792	1,405
Wrestling	257	2,782	3,039	0
Girls basketball	3,352	2,737	843	5,246
Volleyball	1,327	4,510	4,944	893
Softball	(545)	4,508	3,285	678
Girls track	0	671	0	671
Class of 2006	13	968	981	0
Class of 2007	1	6,653	6,654	0
Class of 2008	758	0	700	58
Class of 2009	112	0	112	0
Alternative school class	229	1,278	1,126	381
Yearbook	8,697	11,034	13,822	5,909
NHS	408	379	570	217
FBLA	1,775	1,272	2,428	619
FFA	(402)	14,103	12,422	1,279
FCCLA	253	436	392	297
At risk student fund	199	3,525	3,184	540
HS student council	3,345	3,383	2,285	4,443
Art club	1,680	7,724	8,192	1,212
FEA club	1,049	1,002	851	1,200
Spanish club	54	319	0	373
HS tech club	536	0	0	536
Cheerleaders	248	1,103	1,276	75
JH/HS library club	8	1,012	893	127
Manufacturing tech	(2,629)	2,901	0	272
Teen leadership	826	97	173	750
JH clubs/organizations	3,196	10,624	11,733	2,087
JH student council	354	133	0	487
Elem. clubs/organizations	20,084	16,911	11,248	25,747
Elem. Library fund	2,847	5,361	6,720	1,488
Live classroom	2,000	0	0	2,000
Total	\$ 56,260	157,278	151,767	61,771

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAYNE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 2,558,653	2,481,816	2,114,979	1,896,605
Tuition	272,337	226,145	285,547	235,248
Other	302,274	217,051	240,285	174,965
State sources	2,556,382	2,656,082	2,718,332	2,933,030
Federal sources	329,186	392,968	543,827	514,266
Total	<u>\$ 6,018,832</u>	<u>5,974,062</u>	<u>5,902,970</u>	<u>5,754,114</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,065,878	2,152,571	2,102,497	1,998,950
Special instruction	722,350	578,603	912,150	1,016,046
Other instruction	776,339	725,208	487,735	486,768
Support services:				
Student services	114,978	128,081	74,557	122,545
Instructional staff services	157,969	70,438	71,042	81,667
Administration services	583,341	553,910	536,818	552,230
Operation and maintenance of plant services	494,302	437,642	481,703	396,869
Transportation services	341,056	231,389	229,625	245,663
Other support services	0	518	12,365	0
Non-instructional programs	0	0	0	1,230
Other expenditures:				
Facilities acquisitions	279,757	9,242	26,162	15,679
Long-term debt:				
Principal	202,800	197,800	187,800	167,800
Interest and other charges	51,762	55,563	63,659	135,442
AEA flow-through	177,505	178,058	183,277	199,087
Total	<u>\$ 5,968,037</u>	<u>5,319,023</u>	<u>5,369,390</u>	<u>5,419,976</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Wayne Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wayne Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 29, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wayne Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Wayne Community School District and other parties to whom Wayne Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Wayne Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

September 29, 2006

WAYNE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-06 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - A procedure for reconciling gate admissions was implemented for the 2006-07 school year.

Conclusion - Response accepted.

I-C-06 Checks Outstanding - We noted during our audit that the District had outstanding checks included in the bank reconciliation of the General Fund which have been outstanding for over a year.

Recommendation - The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - We will be more attentive to outstanding checks at year end.

Conclusion - Response accepted.

I-D-06 Supporting Documents for Payments with Credit Cards - The District has a policy in place for credit card usage that states the users of the credit cards need to provide detailed receipts for purchases made as well as the credit card receipt indicating the date, purpose, and nature of the expense for each claim item. Failure to do so makes the expense the responsibility of the employee that was responsible for the expense. Furthermore District policy states, in special circumstances the Superintendent or the Board can approve a claim without proper receipt but there needs to be written documentation explaining the circumstances.

We noted during our audit that payments made with the District credit card for meals do not always have detailed supporting documentation. For meal expenses, the credit card receipt was submitted but there was no detail on the receipt to indicate whether the expense was solely for the employee of the District or the employee and his/her spouse.

Recommendation - The District should review this policy with employees using the District credit card and implement procedures to ensure that the policy is followed when submitting credit card receipts.

Response - We now require that itemized receipts be turned in when employees seek reimbursement after using the school credit card for approved school expenses.

Conclusion - Response accepted.

WAYNE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District disbursements for the year ended June 30, 2006 exceeded the amount budgeted in the support services and other expenditures functions.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - Code changes at the state level caused the District to be over the budget.

Conclusion - Response accepted.

- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-06 Business Transactions - No business transactions between the District and District officials were noted.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

- II-J-06 Financial Condition - We noted during the audit there were three deficit accounts in the Special Revenue, Student Activity fund totaling \$4,312.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - We will try to clear negative accounts at year end except those accounts that have inventory to cover negative account balances.

Conclusion - Response accepted.